

Overview: The Need for Consistencies Between RTOs

Coordination and transparency of rules and processes between neighboring RTOs are critical to ensuring reliable and well-functioning competitive markets. As MISO and PJM markets continue to evolve, AEM and Exelon are concerned that the coordination along the seams between these two markets is inefficient at best. We've developed examples (see attachment) based on our experiences that illustrate the inefficiencies along the seams, offer potential solutions, and in some instances we simply request clarification or transparency. We are encouraged by the recently announced joint stakeholder meetings that kick off July 16. As part of this joint seams process, we urgently request MISO and PJM to address expeditiously the following significant and in some cases frequent occurrences of seams inefficiencies and discrepancies. As previously communicated, Exelon and AEM request to meet jointly with PJM and MISO the morning of July 16 from 8:00-9:30 a.m. central to discuss this letter and the information contained in the attachment.

DA and RT Model and Data Coordination

Transmission and generation outage and market model coordination is an important link to competitive and efficient inter-regional markets. Improvements are needed in the market-to-market process for coordinating relief of transmission constraints at designated flowgates. The process is essential to ensure reliable and efficient (i.e. least cost) dispatch of generation to manage these constraints. To further highlight the need for improvements, the January 2012 Utilicast JOA Baseline Review made several recommendations of modeling improvements between PJM and MISO including:

- General need for improved coordination of models
- Coordination of information exchange on market data (outages, etc.)
- Coordination and alignment of seams modeling processes
- Review of FFE sharing process
- Improvement of M2M process, including temporary flowgates and flowgate extensions

AEM and Exelon support these findings. We have each experienced instances of such model and coordination inefficiencies. While there has been discussion around these concerns, we are disappointed that almost six months have passed since the Utilicast report was published without implementation of any of the recommended changes. We implore MISO and PJM to work together in an earnest, open, and transparent manner, to resolve the coordination issues that Utilicast identified as well as other coordination and seams issues as we describe below.

AEM and Exelon believe MISO and PJM require immediate improved model coordination in the following general areas:

- Transmission and generation outage coordination and outage approval
 - Short Term (0-6 months prior to outage) & Long Term (6-9 months prior to outage)
- Coordination of modeling topology

- Coordination of Real Time and Day Ahead Market models and data, e.g., DA wind generation forecasts and load forecast data

AEM and Exelon believe MISO and PJM require consistent BPM clarity in the following general areas regarding capacity sold from one RTO to another:

- Review uplift charges (MISO RSG or PJM operating reserves) assessed to import/export schedules and cost based offer rules for external capacity resources.
- Clarify the DA Must Offer rules when a single unit's capacity is sold between markets and, during the operating horizon (DA/RT), the unit is not available for the full ICAP value.
- Clarify, via each RTOs BPMs, the Must Offer rules for external resources when one or both RTOs are in an emergency situation.

Inefficiencies in these areas have resulted in several examples (see appendix and which we are willing to share during our discussions) of disparate seams pricing, inefficient dispatch, misaligned contingency modeling, challenges with wind assets, and uneconomic operations.

Transparency

We strongly urge MISO and PJM to improve communications to market participants regarding any changes to JOA rule sets or modeling for seams operations or planning. Such communications should be easy to receive and understand, providing transparency in the seams operations and planning processes. Examples of such communications include announcements describing: when and why new RCFs are created; each RTOs calculation of FFE on neighboring flowgates; each RTOs share of each RCF, and when and why shadow price override is being used.

Modeling and Data Coordination in the Planning Horizon

Inefficiencies around the existing transmission study and procurement processes between MISO, PJM as well as the southern seams (e.g., TVA, Kentucky) must be reviewed. In addition interregional transmission planning between the two RTOs must be adopted, per Order 1000. AEM and Exelon recommend MISO and PJM identify and work toward solutions to address these inter-RTO transmission inefficiencies or discrepancies:

- Transmission queue alignment and study process
- Coordination of inter-RTO transmission requests
 - Study models should be coordinated and the queues should maintain a parallel timeline
- Review of the current process for utilization of Capacity Benefit margin (“CBM”) by both MISO and PJM as part of the overall coordination efforts to maximize the economic utilization of the current transmission system while maintaining the reliability and adequacy of the RTOs’ systems.
- Coordinate and align transmission planning (MTEP and RTEP)
- Coordination of Generation Interconnections
- Coordination of Tie-Line ratings

In order to cross the seam between RTOs a Market Participant must procure transmission in both MISO and PJM. We request that MISO and PJM review the queue and study process for any improvements in aligning studies as well as study completion time.

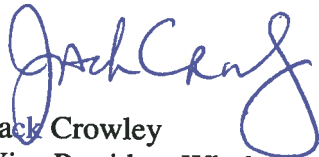
Further discussion and examples around these transmission issues are detailed in the appendix.

Conclusion

Due to continuous creativity and tireless efforts toward better market design, MISO and PJM have each experienced progressive market evolution over the last decade as individual RTOs. Unfortunately, similar efforts have not been as persistent or urgent in evolving and coordinating inter-RTO solutions. As a result seams coordination and modeling inefficiencies have been allowed to continue.

Our urgent and primary recommendation is for MISO and PJM to work together to determine best practices for improving the inter-RTO seams modeling and coordination issues addressed in this paper. To this end, we encourage the RTOs to develop a work plan that provides sufficient time for stakeholders to review and discuss proposals offered by the RTOs or other stakeholders. We suggest that any stakeholder deliberation on modeling, planning or operational improvements be concluded within six months to ensure expeditious implementation. During the deliberations, we encourage both RTOs to provide all stakeholders with timely and complete assessments of proposals under consideration, including transparent communications regarding matters of reports, whitepapers, and disagreement.

We look forward to working closely with both PJM and MISO to establish improved seams coordination for market models and transmission planning.



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